



Hotel occupancy in Kuwait declined 7.0 percentage points YoY to 49.0% in June 2011. Average Daily Rate (ADR) grew 3.9% YoY to \$272.0, while Revenue per Available Room (RevPAR) dipped 9.2% YoY to \$133.0. RevPAR and ADR recorded positive growth during January to June 2011 compared to the previous corresponding period-RevPAR increased 3.9% YoY to \$161.0 and ADR 4.0% YoY to \$279.0. Hotel occupancy during the period remained flat at 57.0% compared to the same period in 2010.¹

1. MARKET UPDATE

All the three metrics of the hotel industry in MENA declined during June 2011. Hotel occupancy dipped 9.7 percentage points YoY to 54.1%, ADR 4.3% YoY to \$141.10 and RevPAR 13.6% YoY to \$76.32.

1.1 MENA Region²

- Jeddah and Dubai recorded a double-digit YoY increase in hotel occupancy during June 2011. Hotel occupancy rose 12.8 percentage points to 78.2% in Jeddah and 12.0 percentage points to 70.0% in Dubai over the previous corresponding period.
- Jeddah registered the largest increase in ADR (up 12.0 % YoY to \$214.83) and RevPAR (up 26.4% YoY to \$168.06) in the MENA region.
- Hotel occupancy in Egypt continues to fall as the country's tourism sector is yet to recover from the civic unrest. Hotel occupancy in Cairo fell 30.0 percentage points YoY to 34.0% in June 2011.
- Hotel occupancy rate in Manama, Bahrain declined 24.0 percentage points to 30.0% in June 2011 compared to the previous corresponding period.

Table 1: Performances of key countries in MENA Region

Country	Occupancy	Change in % pts.	ADR	% change	RevPAR	% change
Egypt	41.1%	-34.2%	EGP404.51	+3.0%	EGP166.25	-32.2%
Saudi Arabia	62.1%	+8.5%	SAR646.47	+15.4%	SAR401.71	+25.2%
UAE	65.0%	+10.1%	AED544.86	-1.9%	AED353.95	+8.1%

Note: Percentages are increases/decreases for June 2011 versus June 2010

1.2 Country focus: Algeria³

Algeria's travel and tourism sector ranks 54th globally in terms of contribution to GDP. Around 2,025,000 international tourists are estimated to visit the country in 2011, which is likely to increase at a CAGR of 3.9% to 2,962,000 by 2021.

- The travel and tourism sector's contribution to Algeria's GDP is expected to increase at a CAGR of 4.7% to DZD1,436.8 billion, or 7.5%, by 2021 from the estimated DZD904.4 billion, or 7.2%, in 2011.
- Investment in the country's travel and tourism sector is expected at DZD121.6 billion, or 2.7% of total investments, in 2011, which is likely to increase at a CAGR of 5.5% to DZD207.9 billion, by 2021.
- In line with the expected growth in visitors, the tourism ministry plans to increase the number of hotel beds to 75,000 by the end of 2014. In addition, the government would focus on re-opening hotels (around 140) and facilitate the construction of more two- and three- star facilities.
- Major tourist destinations in the country include Monument des Martyrs, Djemila, Tipaza, Santa Cruz castle and UNESCO world heritage sites such as M'Zab Valley, Timgad and Al Qal'a of Beni Hammad. Other tourist hot spots include Great Mosque of Tlemcen, built in 1082 AD, and Belzma National Park, which is home to 447 flora and 309 fauna species.

Source: ¹Ernst & Young Middle East Hotel Benchmark Survey, June 2011. ²STR Global Data, Middle East/Africa Hotel Sector Performance for June 2011. ³World Travel and Tourism Council and Zawya News Report.

1.3 Food Tourism⁴

Middle Eastern cuisine is very diverse and has borrowed extensively from Europe, Asia, India and Turkey. It ranges from light, tasty fares to heavier, more filling foods. Most Middle Eastern countries use sesame seeds, chickpeas, pitas and honey as key cooking ingredients. The Arabic cuisine dominates the region, followed by Lebanese, Emirati, Armenian and Moroccan, among others.

- Middle Eastern foods generally contain olive oil, garlic, special spices and fresh vegetables, which create unique aromas and tastes. The most popular and preferred Middle Eastern preparations include hummus, tahini, falafel, tabouleh, pita bread, baklava, baba ghannouj, Turkish coffee, fowl mudammes and Turkish delight.
- Food festivals enable tourists to share a common culinary experience as well as help in getting acquainted about the food and cuisine of a country, knowing its people and strengthening relations between various nations. Tourists visit numerous food festivals in the MENA region every year to enjoy the blend of different Middle Eastern cuisines.
- The Emirati-Swiss Food Festival, organized in the UAE in April 2011, attracted a large number of tourists. The highlight of the festival included Emirati-Swiss food combinations as well as 30 other Swiss products. Also, the first Riyadh Food Festival, organized in February 2011, showcased culinary delights from various countries. Others include the bi-annual and annual food festivals organized in Saudi Arabia, Oman, Dubai and Abu Dhabi.
- Growth in tourist arrivals across the MENA region has led to increased tourist spending on food and beverages over the years. During 2004 to 2007, tourist expenditure on the food sector rose to AED 4.7 billion from AED1.6 billion in the UAE, to ££18.8 billion from ££ 14.6 billion in Egypt and to SR 12.9 billion from SR 8.8 billion in Saudi Arabia⁵.

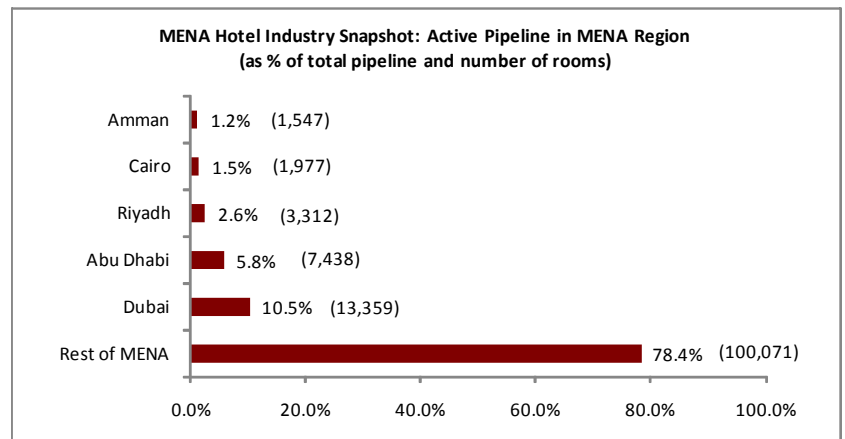
2. KEY DEVELOPMENTS

2.1 Hotel construction pipeline⁶

- The active hotel development pipeline in MENA in June 2011 comprised 466 hotels, totaling 127,704 rooms.
- Dubai dominated the hotel market with the largest number of rooms-it added 13,359 rooms to its total active pipeline of 27,564.
- Among other countries in the MENA region, Abu Dhabi added 7,438 hotel rooms to its existing supply, Riyadh 3,312, Cairo 1,977 and Amman 1,547.

2.2 New hotel openings and expansions in Middle East⁷

- MENA Suites Al-Khobar, the first MENA Suites hotel in Saudi Arabia, is expected to open in Al-Khobar during the summer of 2012. The hotel would be managed by MENA Hotels & Resorts Corporation (the hotel management arm of Saudi Arabia-based Al Hokair Group) and feature 70 rooms and suites. Each suite would be provided with fully-equipped kitchenette and state-of-the-art entertainment and communication systems, among other amenities.
- A hotel project worth approximately \$70 million is expected to come up in the Iraqi city of Mosul. The 16-storey building, planned on the banks of river Tigris, would feature a cinema, an event hall, office suites and a swimming pool. The project, which started in the first week of August, is expected to be completed by July 2012.



Source: STR Global, Al Taameer analysis

Active pipeline includes projects in the 'In-Construction,' 'Final Planning' and 'Planning' phases
Numbers in parenthesis in the graph represent the total number of rooms

Source: ⁴Zawya News Releases. ⁵Euromonitor International Reports. ⁶STR Global news release. ⁷Compiled from Zawya news reports.